



**PROSECUTING ATTORNEYS' AND CIRCUIT ATTORNEYS'
RETIREMENT SYSTEM
THREE YEARS ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-114
November 29, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

November 2001

The following report is our review of the Prosecuting Attorneys' and Circuit Attorneys' Retirement System.

The State Auditor is required by state law to review the audits of the Prosecuting Attorneys' and Circuit Attorneys' Retirement System (PACARS). The system's Board of Trustees has contracted with a private certified public accounting firm to perform annual financial audits of the system. The scope of this review included, but was not necessarily limited to, the period of July 1, 1997 to June 30, 2000. A financial audit for the year ended June 30, 2001, had not yet been performed at the time of our review.

The Prosecuting Attorneys' and Circuit Attorneys' Retirement System was created under an act of the 85th General Assembly, commenced actual operations on August 28, 1989, and is governed by state law. The Prosecuting Attorneys' and Circuit Attorneys' Retirement System is a mandatory cost-sharing multiple-employer, statewide public employee retirement plan for prosecuting attorneys in all counties and each circuit attorney in a city not within a county. The system is a defined benefit plan providing retirement and death benefits to its members. A summary of retirement, death, and disability benefits provided to members is included in our report.

The responsibility for the operation and administration of the retirement system is vested in the PACARS Board of Trustees, consisting of five PACARS members elected by a vote of the prosecuting attorneys and circuit attorneys of the state.

As of June 30, 2000, there were 113 active members, 36 inactive members with twelve or more years of creditable service but who had not reached 62 years of age, and eight retirees and beneficiaries that were receiving benefits.

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YELLOW SHEET

PROSECUTING ATTORNEYS' AND CIRCUIT ATTORNEYS'
RETIREMENT SYSTEM

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Board of Trustees
Prosecuting Attorneys' and Circuit Attorneys' Retirement System
Jefferson City, MO 65102

The State Auditor is required by Section 56.809.6, RSMo 2000 to review the audits of the Prosecuting Attorneys' and Circuit Attorneys' Retirement System. The Board had engaged Evers & Company, LLC, Certified Public Accountants (CPA) to perform the annual financial audits of the system for the years ended June 30, 2000, 1999, and 1998. A financial audit for the year ended June 30, 2001 had not yet been performed at the time of our review. We reviewed the reports and the substantiating workpapers of the CPA firm. The scope of this review included, but was not necessarily limited to, the period of July 1, 1997 to June 30, 2000. The objectives of this review were to:

1. Review certain financial activity and related procedures, and examine compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions.
2. Examine certain management practices.

Our review was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the system's board minutes, various contracts, and other pertinent policies, and discussed various system procedures with applicable personnel.

As a part of our review, we assessed the system's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed

additional procedures, other information might have come to our attention, which would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This background information was obtained from the system's management and was not subjected to the procedures applied in our review of the Prosecuting Attorneys' and Circuit Attorneys' Retirement System.

The accompanying Management Advisory Report presents our findings arising from our review of the Prosecuting Attorneys' and Circuit Attorneys' Retirement System.



Claire McCaskill
State Auditor

October 24, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Kenneth W. Kuster, CPA
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MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

PROSECUTING ATTORNEYS' AND CIRCUIT ATTORNEYS'
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MANAGEMENT ADVISORY REPORT –
STATE AUDITOR'S FINDINGS

In addition to our review of the reports and substantiating working papers of Evers and Company, CPAs, LLC, we included those procedures which we considered necessary in the circumstances.

We reviewed probable compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions, as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. Nevertheless, our review disclosed no conditions that represent violations.

The period of review for the purpose stated above included, but was not necessarily limited to, the three years ended June 30, 2000.

This report is intended for the information of the system's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

PROSECUTING ATTORNEYS' AND CIRCUIT ATTORNEYS'
RETIREMENT SYSTEM
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Prosecuting Attorneys' and Circuit Attorneys' Retirement System (PACARS) was created under an act of the 85th General Assembly, commenced actual operations on August 28, 1989, and is governed by Sections 56.800 to 56.840 of the Revised Statutes of Missouri. The PACARS is a mandatory cost-sharing multiple-employer, statewide public employee retirement plan for prosecuting attorneys in all counties and each circuit attorney in a city not within a county. The PACARS is a defined benefit plan providing retirement and death benefits to its members.

The responsibility for the operation and administration of the retirement system is vested in the PACARS Board of Trustees, consisting of five PACARS members elected by a vote of the prosecuting attorneys and circuit attorneys of the state. All members serve four year terms. As of June 30, 2000, the members of the Board of Trustees were:

<u>Name</u>	<u>County or City</u>	<u>Term Expires</u>
W. James Icenogle, Chairman	Camden County	December 31, 2002
Richard G. Callahan, Vice Chairman	Cole County	December 31, 2002
H. Riley Bock	New Madrid County	December 31, 2002
Thomas I. Osborne *	Audrain County	December 31, 2000
Gordon R. Upchurch *	Franklin County	December 31, 2000

* Replaced by Robert George and John Richards, whose terms expire December 31, 2004.

In January 1998, the board appointed Gretchen L. Vislay as the Executive Director for the PACARS. As the Executive Director, she coordinated the daily operations of the retirement system and with the approval of the board, contracted for professional services needed to operate the system. Upon Gretchen Vislay's resignation, the board hired Katrina Farrow on April 1, 1999, into the retitled position of Executive Secretary. The duties of the Executive Secretary are substantially the same as the former position of Executive Director.

The Board of Trustees has appointed Milliman & Robertson, Inc., of St. Louis, Missouri as actuarial consultant and United Missouri Bank Investment Advisors of Kansas City, Missouri as the system's investment custodian manager. Armstrong, Teasdale, Schlafly and Davis, LLP of Jefferson City, Missouri serves as the system's legal counsel, and David Patterson, CPA of Jefferson City, Missouri serves as the system's accountant.

As of June 30, 2000, there were 113 active members, 36 inactive members with twelve or more years of creditable service but who had not reached 62 years of age, and eight retirees and beneficiaries that were receiving benefits.

Membership, required contributions, and benefits provided under the PACARS are generally as follows:

Eligibility

Membership is automatic for any elected or appointed prosecuting attorney or circuit attorney who is employed by a county or a city not within a county.

Contributions

Prior to September 1995, the retirement system received employer contributions from counties and certain cities not within a county based on child support incentive payments. Beginning September 1995, established monthly payment amounts, as determined by the county's or city's class, are to be paid for each participant. For third class and fourth class counties, the established monthly amount per participant is \$375. For second class and first class counties, the established amount is approximately \$542 and \$1,292, respectively. Employees do not contribute to the system. An actuarial review is performed annually to ensure that contributions are adequate to fund retirement benefit payments.

Service Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and who have met certain eligibility requirements.

NORMAL RETIREMENT

Any member who has attained the age of sixty-two and who has twelve or more years of creditable service may retire with full benefits.

A member who served as prosecuting attorney of a county of the third or fourth class for twelve or more years shall receive monthly benefits equal to \$105 multiplied by the number of two-year periods and partial two-year periods served as prosecuting attorney. A member who served twenty or more years as a prosecuting attorney of such class of county shall receive a monthly benefit of \$130 multiplied by the number of two-year periods and partial two-year periods served as a prosecuting attorney.

A member who served as prosecuting attorney of a first or second class county or as a circuit attorney of a city not within a county, shall receive a benefit, payable in monthly installments, equal to 50 percent of the final average compensation, which is the average of the two highest consecutive years of annual compensation received by a member prior to retirement. Compensation is all salary and other compensation payable for personal services rendered as an employee, but does not include travel and mileage reimbursements.

Members who are also eligible to receive benefits under the Missouri Local Government Employees Retirement System (LAGERS) and who retire after August 28, 1989, shall receive benefits which are reduced by the amount received from LAGERS.

EARLY RETIREMENT

A member may elect to retire at age fifty-five upon termination of employment with reduced benefits if the member has twelve or more years of creditable service. The normal retirement benefit is reduced .005 percent for each month the retirement date precedes age 62.

PAYMENT OPTIONS

A retiring member may elect to receive the normal annuity benefits payable to a member during his lifetime which are discontinued upon his death; or upon applying for retirement benefits, the retiring member may select one of the following options to provide a survivorship:

Option 1: Under this option the member receives a reduced monthly payment for the lifetime of the member, and upon the member's death, 50 percent of the reduced normal annuity shall be paid throughout the life of the member's spouse. If the spouse predeceases the retired member, the reduced normal annuity continues to the retired member during the member's lifetime.

Option 2: Some other option approved by the board which shall be the actuarial equivalent of the annuity to which the member is entitled under the system.

Under this option, the Board has adopted two additional payment methods. The first payment method provides a reduced monthly payment for the lifetime of the member, and upon the member's death, 100 percent of the reduced normal annuity shall be paid throughout the life of the member's spouse. The second payment method provides a reduced monthly benefit for the lifetime of the retired member, but additionally guarantees at least 120 monthly payments will be made either to the retired member or his beneficiary.

Cost-of Living Adjustments

The benefits of members are increased annually equal to the increase in the consumer price index not to exceed two percent in any year. The total increase in the amount of benefits received pursuant to such adjustments shall not exceed fifty percent of the initial benefit which the member received upon retirement.

Deferred Benefits

Members with twelve or more years of creditable service are entitled to a deferred normal annuity payable at age fifty-five upon termination of employment.

Disability Benefits

None.

Death Benefits

A death benefit of \$10,000 is paid to the designated beneficiary or the member's estate if death occurs while an active member. In addition, if a member dies before retirement with twelve or more years of creditable service, the surviving spouse, if married to the member for at least two years prior to the member's death, shall receive a monthly benefit calculated as if the member retired on the date of death and elected the 50 percent survivor option.

Prior Service

Any member is given full credit for prior service as a prosecuting attorney or circuit attorney and 75 percent credit for prior service as an assistant prosecuting attorney or assistant circuit attorney which meets certain criteria defined by statute. All prior service shall be established to the satisfaction of the Board of Trustees.

Forfeited Service

Members with less than twelve years of service shall forfeit all rights in the system upon termination of employment. Members with forfeited creditable service may have the creditable service restored by again becoming a covered employee and completing four years of continuous membership service.

Subsequent Events

Effective July 1, 2000, the plan was amended to allow any person who was a member of the system on August 28, 1989, and who served more than eight years as a prosecuting attorney or circuit attorney to retire at age 62 at a reduced benefit. The benefit equals the proportion of each person's service period compared to twelve years multiplied by the benefit provided in Section 56.816, RSMo.

Effective August 28, 2001, the plan was amended to require that contributions for third or fourth class counties be increased to the level paid by first class counties in any such county which voted, pursuant to Section 56.363, RSMo, to make the position of prosecuting attorney a fulltime position subsequent to August 28, 2001. In addition, prosecuting attorneys serving in counties which have passed such a vote will be eligible for a normal annuity comparable to the annuity paid to prosecuting attorneys or circuit attorneys in first or second class counties.

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